



Cost Accounting: Providing Tools to Hospitals

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Washington D.C., July 2002

Problems

- Prior to 1997 no incentives for hospitals to perform cost accounting, due to:
 - **Lack of purchaser-provider split**
 - **Historical reimbursement**
- The mentality that costs are not important in hospitals (you have to be reimbursed for every cost incurred for the treated patients)

Why Cost Accounting?

- To understand how the resources are used within the hospitals (a tool for hospital managers in order to increase hospital technical efficiency)
- To have a starting point for establishing (and negotiation) of the tariffs for services provided
- To see the flow of resources at hospital level – increased transparency for hospitals stakeholders (mainly represented by the Ministry of Health and Family)

Challenges Faced

- Poor understanding of the role of cost accounting within hospital management
- Poor experience in the cost accounting area (few people with expertise in this field)
- Initial lack of interest on the hospital side (huge efforts required with no immediate benefits)
- No incentives for providers to have cost accounting mechanisms (the hospital reimbursement mechanism)

How Challenges Were Met (1)

- Creating local expertise through:
 - Training of local people (through different projects - USAID, Phare, World Bank) in order to understand the role of cost accounting
 - Training local trainers for providing cost accounting techniques toward hospitals
 - Introducing Cost Accounting in training curricula for courses in Health Management, Financial Management and Health Economics

How Challenges Were Met (2)

- Changing the incentives at hospital level through:
 - From 1998 it was realized the purchaser-provider split, through the development of National Health Insurance House
 - From 1999 the National Health Insurance House introduced hospitals reimbursement mechanisms based on process indicators (hospitalization days)
 - From 2002 the National Health Insurance House introduced hospitals reimbursement mechanisms based on results (case based financing)

Major Achievements (1)

- At Hospital Level:
 - One full patient level cost accounting technique developed and used at Cluj District University Hospital (the basis for a standard methodology)
 - 5 out of 23 hospitals (that are reimbursed on case mix), developed their own patient level cost accounting techniques (with a higher or lower accuracy)
 - A lot of hospitals are using costing techniques for decentralizing hospital expenditures at department level (and to budget these departments)

Major Achievements (2)

- At Central Level:
 - Development and implementation in all Romanian hospitals of a cost accounting methodology at departmental level (provided by National Health Insurance House)
 - Development of local Relative Weights for case mix, based on costs at departmental level (done by the National DRG Project team)
 - Decision to use the costs per case obtained at hospital level as the basis for tariffs

Key Success Factors

- Support from external partners in providing cost accounting training
- Capacity building through development of local expertise and involvement of local institutions (Institute of Health Services Management and National Health Insurance House)
- Support from central level (decision-makers) for introducing new reimbursement mechanism in hospitals (per hospital day or per case)

Final Message

If you want to know what is happening with resources in hospitals, you have:

- to prepare people to do cost accounting, but also**
- to create mechanisms that stimulate hospitals to perform cost accounting**